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THE CANADIAN FARADAY CORPORATION LIMITED/1963 ANNUAL REPORT

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Release Feb 21



**DIRECTORS**

**Ashton W. Johnston**  
**William McKee**  
**Archibald B. Whitelaw**  
**George L. Jennison**  
**John K. McCausland**  
**W. Clarke Campbell**  
**Leslie E. Wetmore**

**OFFICERS**

**Ashton W. Johnston**  
President  
**William McKee**  
Secretary-Treasurer  
**William M. O'Shaugnessy**  
Assistant Secretary-Treasurer

**Royal Trust Company**  
Toronto • Montreal • Vancouver  
Registrar and Transfer Agent

**Bank of Montreal Trust Company**  
New York  
Co-Transfer Agents

**Hilborn & Company**  
Toronto  
Auditors

**Suite 1600, 100 Adelaide Street West**  
**Toronto, Ontario**  
Head Office

**ANNUAL MEETING**  
11 a.m., March 2, 1964  
Royal York Hotel, Toronto, Ontario

Your Directors are pleased to present the Annual Report for the year ended December 31, 1963.

As you are aware, in 1963 the shareholders approved (1) consolidation of the capital stock on a two for five basis with the accompanying change in corporate name and objects, and (2) the sale to Metal Mines Limited (formerly Nickel Mining & Smelting Corporation) of Faraday's net assets, exclusive of certain investments in shares of other companies, in return for a substantial share interest in Metal Mines Limited. These matters have been completely implemented.

In consequence, Faraday is now conducting its mining and field operations through its subsidiary, Metal Mines Limited, which continues as an operating mining company engaged in the production of nickel-copper concentrate at Gordon Lake, Ontario, and uranium oxide at Bancroft, Ontario.

The financial statements included herein set out in detail the results for the year ended December 31, 1963. They reflect for the first time the consolidation of your company with Metal Mines Limited and the figures are, therefore, not comparable with prior years.

Faraday's source of income in the future will be dividends received from investments. For the time being, these dividends will be from your subsidiary, Metal Mines Limited. A fair estimate of the operating profit, before depreciation, of Metal Mines Limited for 1964 is \$1,500,000. In 1965

#### DIRECTORS' REPORT TO THE SHAREHOLDERS

it is expected that such profit will be \$1,000,000 assuming the Bancroft operation is terminated by the end of June, 1964. Because of substantial write-offs available to Metal Mines Limited, the tax liability of that company will be minimal.

At Gordon Lake the nickel mine has responded well to a heavy development program just completed. A new main ore-pass has been driven and a number of new stopes now are in operation. Other working places are in preparation. Production at the rate of 550 tons per day is being maintained and earnings are satisfactory.

The Bancroft uranium operation is producing its normal quota of 65,000 pounds of uranium oxide per month. We are maintaining a normal development program so that adequate ore reserves will be available when future sales contracts can be obtained. The present production contract terminates June 30, 1964.

We have asked the Government of Canada to consider additional contracts in order to minimize the movement of personnel from the Bancroft area until we can negotiate private sales contracts. No decisions have as yet been communicated to us.

As the second largest shareholder in Western Mines Limited, your company is encouraged by the results being obtained in the underground development work at Western's precious and base metals property on Vancouver Island, British Columbia. Pur-

pose of the program is to enable production plans to be made this year.

Your company is a major shareholder of Canadian Silica Corporation Ltd., a company producing silica flour, glass sand and other grades of commercial sands. Canadian Silica enjoyed a profitable year and was able, after meeting sinking fund and interest requirements, to improve its working capital position.

Further, Faraday holds the controlling interest in Trigon Associates Limited, a progressive company engaged in the design and production of supervisory equipment for utilities, and for similar industrial applications. And, through its wholly-owned subsidiary, Bancroft Holdings Limited, Faraday is engaged in short term real estate investment.

We will pursue, through Metal Mines Limited, an aggressive campaign of property acquisition and exploration.

The Board wishes to express its appreciation to all personnel for their loyal and industrious service throughout the year.

On Behalf of the Board



President

February 11, 1964



**ASSETS****Current Assets**

Cash and short term deposits	\$ 897,358
Concentrates, at estimated sales value (note 4)	1,422,846
Accounts receivable and accrued interest (including \$20,114 from subsidiaries not consolidated)	114,241
Income taxes recoverable (note 5)	431,500
Supplies, at average cost	404,665
Prepaid expenses	18,133
	<u>\$3,288,743</u>

**Investments and Advances**

Subsidiaries not consolidated (note 3)			
Shares, at cost	\$ 50,011		
Advances	866,160		
	<u>\$ 916,171</u>		
Less: Allowance for losses	211,000	\$ 705,171	
Canadian Silica Corporation Limited			
6% First mortgage	\$ 950,000		
Shares, at cost (note 6)	334,442	1,284,442	
Smelter Power Corporation			
Shares, at nominal value	\$ 1		
Advances	159,120	159,121	
Shares in other mining companies			
Western Mines Limited, at cost (market value \$884,282)	\$ 493,395		
Sundry, at cost less amounts written off	40,241	533,636	2,682,370

**Fixed Assets**

Mining claims, rights, properties and leases (note 7)	\$ 1,345,236		
Less: Accumulated depletion	1,309,608	\$ 35,628	
Buildings, plant and equipment, at cost	\$10,855,958		
Less: Accumulated depreciation	8,275,545	2,580,413	2,616,041

**Other Assets**

Interest in power line, at cost	\$ 211,612		
Deferred development expenditures	39,623	251,235	
	<u>\$8,838,389</u>		

THE CANADIAN FARADAY CORPORATION LIMITED  
(formerly Faraday Uranium Mines Limited—Note 1)  
(Incorporated under the laws of the Province of Ontario)  
AND SUBSIDIARY COMPANY—METAL MINES LIMITED

**CONSOLIDATED BALANCE SHEET**  
AS AT DECEMBER 31, 1963

**LIABILITIES****Current Liabilities**

Bank loan, secured	\$ 273,000
Accounts payable and accrued expenses	389,431
6% Series "A" First mortgage sinking fund bonds retired in January, 1964	500,000
Dividends payable	507,584
Provision for Ontario mining tax	<u>31,500</u> \$1,701,515

**Long-term Liabilities**

Loan from other mining company	\$ 100,000
Accounts payable not due within one year	<u>63,043</u> 163,043
<b>Minority interest in net assets of subsidiary</b>	<b>719,917</b>

**SHAREHOLDERS' EQUITY****Capital Stock (note 1)**

Authorized  
3,500,000 shares of no par value

Issued  
1,762,364 shares \$3,297,764

Earned Surplus 2,956,150 6,253,914

Approved on behalf of the Board

A. W. JOHNSTON Director

L. E. WETMORE Director

The accompanying notes are an integral part of these financial statements.

Submitted with our accompanying report dated January 24, 1964.

HILBORN & COMPANY

Chartered Accountants

\$8,838,389

## **1. Supplementary Letters Patent**

By Supplementary Letters Patent to be dated December 23, 1963 the company:  
(a) Changed its name to "The Canadian Faraday Corporation Limited," and  
(b) Changed its authorized capital from 5,000,000 shares of the par value of \$1.00 each to 3,500,000 shares of no par value and changed the number of issued shares from 4,405,910 par value shares to 1,762,364 no par value shares. Supplementary Letters Patent have not been issued as at January 24, 1964, however, the company anticipates no changes in its application.

## **2. Sale of Net Assets to Nickel Mining & Smelting Corporation**

At a special general meeting of shareholders held December 23, 1963 the shareholders approved the sale, under an agreement made as of June 30, 1963, to Nickel Mining & Smelting Corporation of all of the assets of the company other than certain share holdings in consideration for the assumption of the company's liabilities and the issue of 5,738,284 shares of the capital stock of Nickel Mining & Smelting Corporation as reorganized (see note 3).

## **3. Principles of Consolidation**

The accounts of the subsidiaries, other than those of Metal Mines Limited (formerly Nickel Mining & Smelting Corporation), have not been consolidated since they are not material in relation to those of the company.

The difference of \$1,920,963 between the company's equity in the book value of the net assets of Nickel Mining & Smelting Corporation over the cost of shares at the date of acquisition has been eliminated by a reduction in the value of preproduction expenditures written off (see note 9).

The company's proportion of losses of unconsolidated subsidiaries incurred since acquisition have been provided for in the company's accounts. Investment in and advances to a subsidiary, after allowance for losses, are recorded at \$50,000 in excess of the total book value of the subsidiary. The company has guaranteed bank credit for this subsidiary in the amount of \$275,000.

## **4. Inventory of Concentrates—Bancroft Operation**

At December 31, 1963 the inventory of concentrates has been valued at estimated sales value whereas in previous periods cost value was used. Because of this change in policy consolidated net income for the year is increased by \$161,910.

## **5. (a) Income Taxes Recoverable**

This asset results from the sale of the company's buildings, plant and equipment to Nickel Mining & Smelting Corporation at a price which is less than their undepreciated capital cost for income tax purposes, producing a terminal loss on disposal of these assets.

### **(b) Income Taxes Payable**

No income taxes are payable for the following reasons: (I) The consolidated subsidiary is exempt from tax on mineral income, from its Gordon Lake (nickel) operation, for a three year period from the date the mine commenced production in reasonable commercial quantities. The date for the commencement of this period has not as yet been acknowledged by the Department of National Revenue but it is expected to be prior to June 30, 1963. (II) Because of the availability of the loss referred to in note 5 (a) above and deductions relating to preproduction expenditures and depreciation in excess of the amounts charged in the consolidated statement of income, to offset income from the Bancroft (uranium) operation.

## **6. Shares in Canadian Silica Corporation Limited**

The quoted market value at December 31, 1963 of common shares owned was \$966,270 which amount should not necessarily be construed as representative of the realizable value of the block of shares held. The cost of shares also includes preferred shares having a par value of \$79,380.

## **7. Fixed Assets**

Mining claims, rights, properties and leases are valued at cost with the exception of a group of claims located in the Gordon Lake Area which are recorded at a nominal value of \$1.00.

## **8. Operations**

The consolidated statement of income includes income from the Bancroft (uranium) operation for the year ended December 31, 1963 and income from the Gordon Lake (nickel) operation for the six months ended December 31, 1963.

## **9. Preproduction Expenditures—Gordon Lake Operation**

Unamortized preproduction expenditures in the amount of \$2,604,302 (after the elimination referred to in Note 3) have been written off to consolidated retained earnings in 1963. If the subsidiary had continued its policy of amortization, \$137,069 would have been deducted in determining the amount of consolidated net income for the year.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 1963

To the Shareholders of  
The Canadian Faraday  
Corporation Limited.

We have examined the consolidated balance sheet of The Canadian Faraday Corporation Limited (formerly Faraday Uranium Mines Limited) and its consolidated subsidiary company as at December 31, 1963 and the consolidated statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except for its consolidated subsidiary company whose accounts have been examined and reported on by other chartered accountants. The net assets of this subsidiary represent a substantial proportion of the consolidated net assets.

**AUDITORS' REPORT**

In our opinion, based on our examination and the aforementioned report of other chartered accountants, the accompanying consolidated balance sheet and consolidated statements of income and retained earnings, supplemented by the notes thereto, present fairly the financial position of the companies as at December 31, 1963 and, subject to the omission of amortization of pre-production expenditures referred to in note 9, the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied (except for the change in policy concerning the valuation of inventory of concentrates, with which we concur, as referred to in note 4) on a basis consistent with that of the preceding year.

HILBORN & COMPANY  
Chartered Accountants

Toronto, Ontario  
January 24, 1964



**CONSOLIDATED STATEMENT OF INCOME**  
Year Ended December 31, 1963 (note 8)

Sale of concentrates		\$5,777,519
Operating expenses (including directors' fees of \$11,900)	\$4,221,074	
Ontario mining tax	30,401	4,251,475
	<hr/>	<hr/>
Bond interest	\$ 15,000	\$1,526,044
Outside exploration	133,631	148,631
	<hr/>	<hr/>
Investment income		\$1,377,413
Income before the undernoted items		245,456
Depreciation	\$ 160,950	
Loss on disposal of fixed assets	17,954	
Amortization of deferred development	14,730	
Allowance for losses of subsidiaries not consolidated (note 3)	133,483	327,117
	<hr/>	<hr/>
Portion of income of subsidiary applicable to minority interest		\$1,295,752
Net income for year (notes 4, 5 and 9)		70,642
	<hr/>	<hr/>
		\$1,225,110

**CONSOLIDATED STATEMENT  
OF RETAINED EARNINGS**

Year Ended December 31, 1963

Balance, December 31, 1962		\$6,169,220
Add:		
Net income for year	\$1,225,110	
Income taxes of prior year recoverable (note 5)	422,342	1,647,452
	<hr/>	<hr/>
Deduct:		\$7,816,672
Dividends declared	\$ 881,182	
Depletion of mining claims, rights, properties and leases provided in respect of prior years	1,309,608	
Preproduction expenditures written off (note 9)	2,604,302	
Reorganization expense	65,430	4,860,522
Balance, December 31, 1963		<hr/>
		\$2,956,150

See accompanying notes to consolidated financial statements.



